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96-45

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September 12, 2002

RECEIVED & INSPECTED

SEP 13 2002

FCC - MAILROOM

Sheryl Todd
Office of the Secretary
Federal Communications Commission
9300 East Hampton Drive
Capitol Heights, MD 20743

RE: Petition by the Colorado Public Utilities Commission to Redefine Service Area of Delta County Tele-Comm, Inc.

Dear Ms. Todd:

Enclosed is a copy (with all attachments) of the petition we spoke about over the phone yesterday, September 11. Yesterday, I emailed a copy of the petition (without attachments) to you, and, in addition, I faxed a copy of the August 9, 2002 transmittal letter with the FCC's date stamp (indicating that the petition was originally filed on August 12, 2002). I can be reached at the telephone number stated below if you need to speak to me about this matter.

Thank you for your assistance.

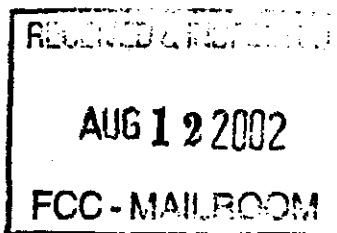
Sincerely,

FOR THE ATTORNEY GENERAL

Anthony Marquez

ANTHONY MARQUEZ
First Assistant Attorney General
State Services Section
(303) 866-5136

Enclosure



JOHN SAHAR
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August 9, 2002

Marlene H. Dortch
Office of the Secretary
Federal Communications Commission
9300 East Hampton Drive
Capitol Heights, MD 20743

RE: Petition by the Public Utilities Commission of the State of Colorado to Redefine the Service Area of Delta County Tele-Comm, Inc., Pursuant to 47 CFR 54.207(c)

Dear Madam Dortch:

Enclosed are the original and four copies of the Petition by the Public Utilities Commission of the State of Colorado for FCC agreement to redefine the service area of Delta County Tele-Comm, Inc. This Petition is filed pursuant to 47 CFR § 54.207(c).

Also enclosed is a copy of the first page of the Petition and a stamped, self-addressed envelope. Please receipt stamp this page and mail it back to me for our records.

If you have any questions regarding this Petition, I can be reached at (303) 866-5136. Thank you for your assistance in this matter.

Sincerely,

FOR THE ATTORNEY GENERAL

Anthony Marquez

ANTHONY MARQUEZ
First Assistant Attorney General
State Services Section
(303) 866-5380
(FAX)

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C.

In the Matter of:

PETITION BY THE COLORADO PUBLIC UTILITIES
COMMISSION, PURSUANT TO 47 CFR § 54.207(C), FOR
COMMISSION AGREEMENT IN REDEFINING THE
SERVICE AREA OF DELTA COUNTY TELE-COMM, INC.,
A RURAL TELEPHONE COMPANY.

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ATTACHMENTS

Delta County Tele-Comm., Inc.'s Path 3 Filing for Disaggregation and Targeting of Support dated May 6, 2002	Attachment 1
COPUC Rules 10 and 11	Attachment 2
COPUC Decision No. C02-319	Attachment 3
COPUC Decision No. C02-530	Attachment 4
Map of Service Area for Delta County Tele-Comm, Inc.	Attachment 5

SUMMARY

The Public Utilities Commission of the State of Colorado (COPUC or Petitioner) files this Petition pursuant to the provisions of 47 CFR § 54.207(c). Under that rule, a state commission may request (by petition) Commission agreement to define the service area of a rural telephone company to be an area other than the rural company's study area. Petitioner now seeks Commission agreement to redefine the service area of Delta County Tele-Comm, Inc. Delta is an incumbent rural telephone company operating within Colorado, and has been designated an Eligible Telecommunications Carrier (ETC) in its service area, in accordance with 47 CFR § 54.201.¹

Presently, Delta's service area (*i.e.* its study area)² in Colorado comprises 6 separate wire centers. While those wire centers are contiguous, they encompass a large geographic area that includes geographically diverse regions of the state. The size and topography of Delta's service area are such that potential new entrants will find it burdensome to serve the entirety of that area all at once. Under federal law, any telephone company seeking certification as a competitive ETC in Delta's service area must stand ready to provide supported services throughout the entirety of Delta's expansive service area. That requirement is excessively burdensome for any potential new entrant.

¹ Designation as an ETC enables Delta to receive federal universal service support under Commission rules.

² A rural company's service area is defined as its study area, until the state commission and the Commission both agree to redefine that company's service area. *See* 47 CFR § 54.207(b).

Petitioner notes that Delta recently elected to disaggregate and target universal service support pursuant to Path 3. *See* 47 CFR § 54.315(d). That is, Delta has elected to disaggregate universal service support to the wire center level. Recently, COPUC adopted rules directing that a rural company's selected path for disaggregation of universal service support (under Rule 54.315) will also serve as its new service area. Since universal service support for Delta has already been disaggregated and targeted, no reason exists to delay redefinition of its service area. COPUC, in this Petition, requests Commission agreement that Delta's service area be redefined in the same manner as support has been disaggregated, that is, to the wire center level.

I. INTRODUCTION

COPUC is a state commission as that term is defined in 47 U.S.C. § 153(41). *See* § 40-2-101, Colorado Revised Statutes. Pursuant to 47 CFR §54.207, the rule implementing 47 U.S.C. §214(e)(5) of the Telecommunications Act of 1996 (Act), COPUC petitions the Commission for agreement with COPUC's service area designations for Delta County Tele-Comm, Inc. (Study Area Code 462184). Delta is a rural telephone company, and, therefore, under 47 U.S.C § 214(e)(5), both the Commission and COPUC must agree if Delta's service area is to be redefined as an area other than its study area.

By this Petition, COPUC seeks service area designations which differ from Delta's study area. Specifically, Petitioner requests Commission agreement to redefine Delta's service area consistent with Delta's recently elected method of disaggregating and targeting its federal universal service support. Delta, in

accordance with 47 CFR § 54.315, filed with COPUC (on May 15, 2002) and the Commission (apparently on May 6, 2002) its plan to disaggregate and target high-cost universal support. *See* Attachment 1. Delta elected to disaggregate support under Path 3 (47 CFR § 54.315(d)), establishing wire center specific support for its study area, and assigning each wire center its own support per access line.

As more fully articulated below, Petitioner seeks Commission agreement to designate each individual wire center of Delta as a separate service area for the purpose of designating competitive ETCs in Delta's territory. Such action will promote competition in Delta's service area.

II. PETITION FOR CONCURRENCE WITH COPUC'S ESTABLISHMENT OF SERVICE AREAS AS THE RESPECTIVE INDIVIDUAL WIRE CENTERS OF DELTA COUNTY TELE-COMM, INC.

A. Applicable Law.

The Act requires designation of ETCs for the purpose of implementing its universal service provisions. Under the Act, state commissions are to designate companies as ETCs for specific "service areas." *See* 47 U.S.C § 214(e)(2). The term "service area" is defined in 47 U.S.C. §214(e)(5) as:

[A] geographic area established by a State commission for the purpose of determining universal service obligations and support mechanisms. In the case of an area served by a rural telephone company, "service area" means such company's "study area" unless and until the Commission and the States, after taking into account recommendations of a Federal-State Joint Board instituted under section 410(c), establish a different definition of service area for such company.

Therefore, in the case of a rural telephone company, such as Delta, the company's service area is its study area until both the state commission and the Commission itself agree on a different service area.

Commission Rule 47 C.F.R. §54.207(c)(1) implements § 214(e)(5). In particular, the rule provides:

(1) A state commission or other party seeking the Commission's agreement in redefining a service area served by a rural telephone company shall submit a petition to the Commission. The petition shall contain:

- (i) The definition proposed by the state commission; and
- (ii) The state commission's ruling or other official statement presenting the state commission's reasons for adopting its proposed definition, including an analysis that takes into account the recommendations of any Federal-State Joint Board convened to provide recommendations with respect to the definition of a service area served by a rural telephone company.

The designation of service areas impacts the ease with which competition can enter rural areas. Specifically, 47 U.S.C. § 214(e)(1) of the Act, in part, requires any company seeking designation as an ETC to provide the services supported by the federal universal service support mechanism "throughout the service area" for which the designation is sought. *Accord* 47 CFR § 54.201(d). The broader the service area, the more daunting the task facing a potential competitor seeking to enter the market as a competitive ETC within a rural exchange area. For example, in Delta's service area, no company could receive designation as a competitive ETC unless it is able to provide service in six separate wire centers in a large geographically disparate region of the state. As explained below, this constitutes a significant barrier to entry. Specifically, without disaggregation of Delta's service area, potential competitors desiring to serve even in substantial portions of Delta's study area, but not in the

entirety of that area, cannot be designated ETCs. And, therefore, competitors cannot receive the kind of universal service support now being received by Delta.

B. Service Areas Proposed by COPUC.

Petitioner requests agreement to redefine Delta's service area to the wire center level, the same method chosen by Delta to disaggregate its universal service support. As reflected in Attachment 1,³ Delta elected to disaggregate universal service support pursuant to Path 3 (47 CFR § 54.315(d)). Under Path 3, a rural carrier may self-certify that it has disaggregated support to the wire center level or into no more than two cost zones per wire center. In its Path 3 filing, Delta disaggregated universal service support to the wire center level for each of its six wire centers. Specifically, Delta developed exchange (*i.e.* wire center) specific cost support for each of its six wire centers. COPUC now suggests that each of these six exchanges be designated as separate service areas.

C. COPUC's Recently Adopted Rules Provide that a Rural Carrier's Method for Disaggregating Universal Service Support Shall also Function as the Method For Redefining Service Areas.

In Docket No. 01R-434T, COPUC recently adopted rules relating to universal service support partly in response to the Commission's decisions in *In the Matter of Federal-State Joint Board on Universal Service, Fourteenth Report and Order, Twenty-Second Order on Reconsideration, and Further Notice of Proposed Rulemaking in CC Docket No. 96-45, and Report and Order in CC Docket No. 00-*

³ Delta's election to disaggregate and target support pursuant to Path 3.

256, 16 FCC Rcd. 11244 (May 23, 2001) (Fourteenth Report and Order).⁴ See discussion *infra*. COPUC's rules became effective on June 30, 2002. COPUC's new Rule 4 CCR 723-42-10 (Rule 10) follows the Commission's Rule 54.315 by directing rural ETCs to disaggregate universal service support pursuant to Path 1, 2, or 3--the same Paths established by the Commission. Notably, COPUC's new Rule 4 CCR 723-42-11 (Rule 11) then provides:

The (COPUC) will use the disaggregation plans of each incumbent Eligible Telecommunications Carrier established pursuant to Rule 10 not only for disaggregation of Colorado (High Cost Support) but also for the disaggregation of the study area of the rural incumbent local exchange carrier pursuant to 47 CFR Section 54.207 into smaller discrete service areas.

(COPUC Rules 10 and 11 are appended to this Petition as Attachment 2.) Therefore, COPUC's rules now provide that Delta's existing service area should be redefined in accordance with the Path 3 method Delta elected for purposes of disaggregating support (*i.e.* to the wire center level).

As indicated in the decisions in which COPUC adopted Rules 10 and 11 (Attachment 3, Decision No. C02-319, Ruling on Exceptions; and Attachment 4, Decision No. C02-530, Decision Denying Application for Rehearing, Reargument, or Reconsideration),⁵ rural telephone carriers, such as Delta, actively participated in COPUC's rulemaking docket through their association, the Colorado Telecommunications Association (CTA). Attachments 3 and 4 indicate that COPUC

⁴ In this decision, the Commission did consider the Joint Board's recommendations regarding the definition of rural service areas. COPUC's decisions adopting the rules in Docket No. 01R-434T also takes into account the Joint Board's recommendations, in part, through its considerations of the Fourteenth Report and Order.

carefully considered CTA's objections to redefining rural service areas consistent with the method for disaggregating universal service support. In those decisions, COPUC specifically determined that disaggregation or targeting of universal service support is critically related to disaggregation or redefinition of service areas for rural carriers. Once support has been targeted to specific geographic areas, COPUC reasoned, no justification exists to delay the redefinition of service areas in the same manner. Such delay, in fact, would be anticompetitive. COPUC noted that, in prior cases, other carriers (*i.e.* Western Wireless and Northeast Colorado Cellular) had sought designation as competitive ETCs in various rural areas. Those carriers were unable to obtain that designation in some areas because they lacked the facilities to provide service throughout the entirety of those service areas. The decisions point out that after universal service support for rural carriers is disaggregated concerns about cream skimming by competitive ETCs would no longer exist.

For reasons such as these, COPUC determined that the method of targeting universal service support should also be the method for defining a rural carrier's service areas, and COPUC's Rule 11 reflects that determination. Consistent with those findings and Rule 11 itself, Petitioner suggests that Delta's service area be redefined as set forth here.

⁵ Only the relevant portions of COPUC's decision is included in Attachment 3.

D. Defining Delta's Service Areas to the Wire Center Level is Consistent with the Recommendations of the Joint Board.

Section 214(e)(5) and Commission Rule 54.207(c)(1) require that the state commission and the Commission itself, when seeking to redefine a rural service area, take into account the recommendations of the Joint Board regarding areas served by rural telephone companies. COPUC asserts that redefining Delta's service area in accordance with this Petition is consistent with the Joint Board's recommendations.

The Joint Board originally recommended that rural service areas remain the study areas of those companies, but implied that its recommendation might change as circumstances change. *Federal-State Joint Board on Universal Service in CC Docket No. 96-45*, 12 FCC Rcd. 87, para. 172 (November 8, 1996) (Joint Board Recommendation). The Board stated three reasons for recommending retention of the study area as the service area at that time.

First, the Board noted that some commenting parties expressed concern about cream skimming. By retaining a larger study area, the Board observed, the potential for cream skimming would be minimized, because competitors, as a condition of eligibility, would be required to provide services throughout the rural telephone company's study area. Competitors, thus, would not be eligible for universal service support if they sought to serve only the lowest cost portions of a rural telephone company's study area. *Id.* Second, the Board noted that the Act "in many respects places rural telephone companies on a different competitive footing with other local exchange companies." *See* Joint Board Recommendation, para. 173. Finally, the Board expressed concern about the administrative difficulties rural companies may

encounter in calculating costs at something other than a study area level. *See* Joint Board Recommendation, para. 174.

As reflected in the Commission's Fourteenth Report and Order, paras. 136-164, the Joint Board (through its Rural Task Force) has issued more recent recommendations on redefining rural service areas. The Fourteenth Report and Order (para. 137) noted the Board's continuing concern with cream skimming or "arbitrage" by competitive ETCs in rural service areas. In response to that concern, the Board recommended that rural carriers be permitted to disaggregate and target universal service support under one of three Paths.⁶ Finally, the Commission, in the Fourteenth Report and Order, observed:

[W]e note the Rural Task Force recommended that the level of disaggregation of support be considered in determining whether to certify new eligible telecommunications carriers for a service area other than the entire study area of rural carrier study area. We believe that the level of disaggregation of support should be considered in determining whether to certify new eligible telecommunications carriers for a service area other than a rural carrier's entire study area to ensure that competitive neutrality is maintained between incumbent carriers and competitive eligible telecommunications carriers.

Fourteenth Report and Order, para. 164.

COPUC's suggestion to redefine Delta's service area addresses the concerns expressed by the Joint Board. Perhaps the Board's greatest concern with defining a rural company's service area to be something other than its study area is the possibility of cream skimming or arbitrage by competitive ETCs. However, the disaggregation and targeting of universal service support under Rule 54.315--

⁶ In fact, the Commission accepted the Joint Board's recommendation by directing rural companies to disaggregate support under Path 1, 2 or 3. *See* 47 CFR § 54.315.

provisions recommended by the Joint Board itself --largely eliminates this possibility. In adopting Rule 11, which states that the method for disaggregating support shall also serve as the method for redefining rural service areas, COPUC noted that disaggregation and targeting of universal service support resolved concerns about cream skimming.

In this specific case, Petitioner notes that, pursuant to Rule 54.315, Delta itself elected to disaggregate and target universal service support in its service area under Path 3. In making that election Delta used the Benchmark Cost Proxy Model Version 3.0, with the FCC Common Inputs that were placed into the public record in CC Docket CC 96-45, to develop cost support factors to establish high-cost and low-cost wire centers. Actual line counts from year-end 2000 were input into the model to reflect more current customer demographics. Delta would receive universal service funding of \$16.92 per access line at a study area level. However, by targeting support by wire center, Delta will receive support of \$11.36 per access line for the lowest-cost wire center/exchange, and \$47.22 per line in the highest cost wire center/exchange. Hence, the possibility of cream skimming by competitive ETCs has been minimized, if not eliminated. Competitive ETCs will not be eligible for universal service support at \$16.92 per access line in Delta's service territory. If they choose to serve in Delta's lower cost wire center only, they will receive support at \$11.36 per access line only.

The above discussion points out that the Joint Board (through the Rural Task Force) specifically recommended that the level of disaggregation of support be considered in determining whether to certify new eligible telecommunications carriers

for a service area other than the entire rural study area. Petitioner's suggestion here is consistent with that specific recommendation by the Board.

As noted above, in addressing the issue of redefining rural service areas, the Joint Board also expressed concern that rural carriers may find it administratively difficult to recalculate universal service support for service areas different than their study area. The above discussion, however, indicates that Delta has already calculated support down to the wire center level. Therefore, there can be no concern here that Delta will find it burdensome or even difficult to calculate universal service support based on its wire centers.

**E. The Act's Procompetitive Policies Suggest
Establishment of Service Areas at the Wire Center
Level for Delta.**

Entry of competitive ETCs into Delta's service areas will promote competition in the local exchange market in that region of the state. Petitioner suggests, however, that unless Delta's study area/service area is redefined, competition and its attendant benefits will likely be limited in these regions. Specifically, Petitioner notes that given the present configuration of Delta's study area/service area, potential competitors are unlikely to apply for certification as an ETC because of the difficulty of serving all of Delta's study area. And without such certification, potential competitors would not be eligible for the kind of universal service support Delta is receiving.

COPUC notes that Delta's study area--and therefore its present service area--comprises six separate wire centers. That study area is approximately 1,526 square miles. *See Attachment 5.* Although those six wire centers are contiguous, those wire

center areas are geographically diverse. For example, Delta's study area includes cities, towns, valleys, and mountainous areas. It would be difficult for a competitive local exchange carrier to enter into all of Delta's study area at once. Therefore, maintaining Delta's rural service area in a multiple exchange configuration will, in effect, preclude potential competitive providers from seeking ETC designation even for wire centers where those companies can provide service, and can meet all other requirements for designation as an ETC. Delta will receive universal service support, but potential competitive providers will not. This circumstance is a barrier to entry.

As explained above, there are no countervailing considerations (e.g. the possibility of cream skimming by new entrants) which counsel against designation of competitive ETCs in Delta's wire centers. As such, universal service support should be available to competitive providers offering supported services in any Delta wire center.

CONCLUSION

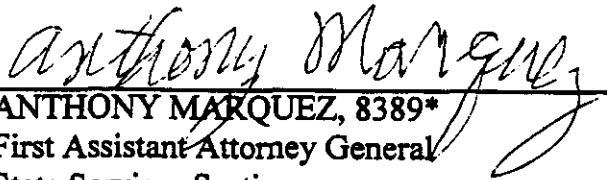
COPUC submits that rural areas of Colorado--there are many--should not be left behind in the move to greater competition in the local exchange market. COPUC concludes that the procompetitive goals of the Act would best be served by the designation of smaller service areas, to the wire center level, for Delta.

Therefore, Petitioner requests that, in accordance with 47 U.S.C. § 214(e)(5) and Commission Rule 47 CFR § 54.207, the Federal Communications Commission concur with COPUC's establishment of service areas for Delta County Tele-Comm, Inc. as the individual wire centers of Delta. Each individual wire center of Delta

County Tele-Comm, Inc. should be established as a separate service area for the designation of competitive ETCs.

Dated, this 9 day of August, 2002.

KEN SALAZAR
Attorney General


ANTHONY MARQUEZ, 8389*
First Assistant Attorney General
State Services Section
Attorneys for
The Colorado Public Utilities Commission
1525 Sherman Street, 5th Floor
Denver, Colorado 80203
Telephone: (303) 866-5380
*Counsel of Record

BEFORE THE FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

CERTIFICATE OF SERVICE

I, Pamela Ponder hereby certify that I mailed an original and four (4) copies of the attached PETITION BY THE COLORADO PUBLIC UTILITIES COMMISSION, PURSUANT TO 47 CFR § 54.207(C), FOR COMMISSION AGREEMENT IN REDEFINING THE SERVICE AREA OF DELTA COUNTY TELE-COMM, INC., A RURAL TELEPHONE COMPANY this 9th day of August 2002 by Federal Express overnight mail delivery, addressed as follows:

MARLENE H. DORTCH
OFFICE OF THE SECRETARY
FEDERAL COMMUNICATIONS COMMISSION
9300 EAST HAMPTON DRIVE
CAPITOL HEIGHTS, MD 20743

And a copy by U.S. Mail upon each of the following:

Jeff Jung
TDS Telecom
Delta County Tele-Comm
P.O. Box 5158
Madison, Wisconsin 53705-0158

Paula Gordon
San Isabel Telecom, Inc.
2121 So. Blackhawk, #150
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Colorado Telecommunications Association
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301 S. Westfield Road
Madison, WI 53717-1799

Government and Regulatory Affairs

May 6, 2002

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MAY 15 2002

Via overnight mail

**PUBLIC UTILITIES COMMISSION
STATE OF COLORADO**

file

Mr. Bruce Smith
Director
Colorado Public Utilities Commission
1580 Logan, OL 2
Denver, CO 80202


RE: ^{new} DOCKET No. 02-199T - Delta County Tele-Comm, Inc. - Path 3 Filing for
Disaggregation and Targeting of Support

Dear Mr. Smith:

Pursuant to FCC Order in CC Docket Numbers 96-45 and 00-256 issued May 23, 2001 and 54.315 of the FCC rules Delta County Tele-Comm, Inc. hereby encloses for filing a copy of its Path 3 disaggregation plan.

I may be reached at 608-664-4195 in the event you have any questions regarding this certification. Please date stamp the enclosed copy and return in the self-addressed stamped envelope.

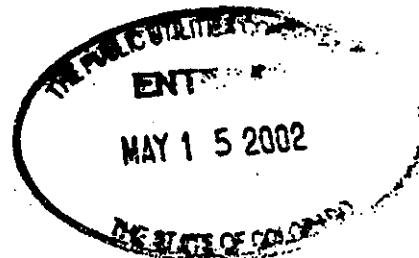
Sincerely,



Jeff Jung
Director - Cost Analysis

Attachments

cc: Ms. Gail Long - TDS TELECOM
Ms. Irene Flannery - USAC



ATTACHMENT 1

**Disaggregation Path of Federal high-cost support pursuant to the
FCC Order in CC Docket Numbers 96-45 and 00-256,
issued May 23, 2001, and 54.315 of the FCC Rules**

Company Delta County Tele-Comm, Inc.

State Colorado

Number of Wire Centers 6

Study Area Code 462184

2002 Disaggregated Monthly Support Per Line

WIRE CENTER	CLLI CODE	ESTIMATED PER LINE USF SUPPORT *				TOTAL SUPPORT PER LINE	ACCESS LINES	TOTAL SUPPORT FOR DISAGG'D ZONE
		HIGH COST LOOP	LONG TERM SUPPORT	INTERSTATE COMMON LINE	LOCAL SWITCHING SUPPORT			
Cederedge	CDRDCO	\$ 5.24	\$ 3.29	\$ 0.54	\$ 2.29	\$ 11.36	2,882	\$ 32,754
Crawford	CRFRCO	\$ 18.95	\$ 11.92	\$ 1.95	\$ 2.29	\$ 35.12	904	\$ 31,744
Eckert	ECKRCO	\$ 6.97	\$ 4.38	\$ 0.72	\$ 2.29	\$ 14.37	1,696	\$ 24,368
Hotchkiss	HTCHCO	\$ 10.17	\$ 6.40	\$ 1.05	\$ 2.29	\$ 19.91	1,929	\$ 38,404
Paonia	PAONCO	\$ 5.81	\$ 3.65	\$ 0.60	\$ 2.29	\$ 12.36	2,564	\$ 31,683
Somerset	SMRTCO	\$ 25.94	\$ 16.32	\$ 2.67	\$ 2.29	\$ 47.22	324	\$ 15,300
TOTALS		\$ 86,966	\$ 54,704	\$ 8,952	\$ 23,630		10,299	\$ 174,253

* FORCASTED DATA IS SUBJECT TO TRUE-UP VIA USF TRUE-UP PROCESSES

**Proposal to disaggregate the Federal high-cost support pursuant to the
FCC Order in CC Docket Numbers 96-45 and 00-256,
Issued May 23, 2001, and Section 54.315 of the FCC Rules**

Disaggregation Plan

Delta County Tele-Comm Inc. is electing path 3 – Self-Certification and will be disaggregating Federal high-cost loop support to the wire center. Below is a description of the disaggregation process.

1. The plan disaggregates the total study area Federal high-cost loop support to each of the wire centers within the study area. The methods of disaggregation vary for loop-related High Cost Loop (HCL), Long Term Support (LTS) and Interstate Common Line Support (ICLS) versus switch-related Local Switching Support (LSS). These methods are described in detail in the following descriptions.
2. All lines within the wire center receive the same per line amount of HCL, LTS, ICLS and LSS support.

Loop-Related Support

1. Loop related support funds are the HCL, ICLS and LTS. The different per line support levels among the wire centers reflect the different costs the Incumbent Local Exchange Carrier would incur to provide universal telephone service to the customers located in the wire center. By disaggregating the support from the study area to the wire center level, more loop-related support is provided to wire centers with higher costs relative to other wire centers within the same study area.
2. The relative loop-related investments of each wire center were developed using the publicly available Benchmark Cost Proxy Model (BCPM) Version 3.0 utilizing the FCC Common Inputs option. The BCPM was entered on the public record in the FCC CC Docket 96-45, December 11, 1997, by the sponsors of the Model, Bell South, Sprint and U.S. West. Actual line counts from year-end 2000 were input into the model to reflect the more current customer demographics.

3. The BCPM uses forward-looking, least-cost network engineering design and costing methods. One of the requirements of the design is that no customer location is greater than 18kft from either the central office or from the Digital Serving Area (DSA) site. Load coils and other long loop transmission equipment are not included in the design of the forward-looking network. The Model begins at the wire center's central office location and builds cable and/or fiber facilities in each direction from the central office using Census data to determine customer locations and density within the wire center. The customer locations and population density of the Census Blocks determine the size, location and number of Serving Area Interfaces (SAI), and DSAs. The size and footages of copper and fiber cable facilities from the SAIs and DSAs to the central office are also determined from the customer locations contained in the Census Block information. Terrain and other geographical information such as soil type and rock conditions determine the aerial, buried and underground mixture of the network. The total number of residential and business customers were developed from 1990 Census information and other sources of population statistics to determine the capacity of the switch.
4. To our knowledge, the BCPM is the only publicly available model and, therefore, can be used to satisfy the Order's requirement that will allow an interested party to make a meaningful analysis of how the disaggregation plan was developed. The data produced by the BCPM provides a publicly available source that develops the relative investments required to provide universal telephone service to wire centers within a given study area.
5. The model is used only to determine the relative network investment relationships of wire centers within a study area and is not meant to reflect the ILEC's embedded costs of the wire center. The total study area amount of support is distributed to the wire centers based on the relationships developed by the BCPM.

Benchmark

1. The second step in the process is to establish a benchmark to determine which wire centers have low cost relative to other wire centers in the study area and do not require loop-related support.
2. The process uses a benchmark level of 115% of the nationwide average cost as adopted by the FCC in CC Docket No. 96-45. The Rural Task Force (RTF) recommended a freeze of

the national average loop cost at \$240.00 for the life of the plan. According to the Rural Task Force, \$240.00 approximates the national average loop cost for the year 2000 based on 1998 cost data submitted by NECA. The \$240.00 benchmark was used to determine the size of the high-cost loop support fund and will be used for the remainder of the length of the plan.

3. In our opinion, it is appropriate to use the RTF Recommended benchmark. The \$240.00 was based on actual costs of rural and non-rural companies from that 1998 cost data.
4. Since the nationwide average monthly cost is \$20.00, the benchmark is \$23.00 ($\20.00×1.15). The 115% benchmark was selected because the HCL support computation rules use a benchmark of 115% of nationwide average embedded cost to determine the point at which a study area qualifies for high-cost loop support.
5. The benchmark determines how much of the study area support should go to each of the wire centers that have costs above the benchmark level. Each wire center's loop-related support is determined by distributing the total support in proportion to the amount that each wire center's cost exceeds the benchmark. Wire centers with higher relative costs will always receive higher levels of per-line support.
6. The distribution of loop related support is computed in the following manner. The difference between each wire center's developed BCPM cost and the national average benchmark is computed and multiplied by the number of served lines within that wire center to determine a hypothetical "support requirement". These "support requirements" for all wire centers within the study area are then summed to determine a hypothetical "total support requirement". The individual "support requirements" are then divided by the "total support requirement" to arrive at the relationships (ratios) used to allocate the actual loop related support for each category of USF loop-related support. These support amounts are then trued-up to the total reported universal service support received by multiplying each ratio by the total support received for the support categories (HCL, LTS, & ICLS). The trued-up level of support for each wire center is then divided by the number of lines in that wire center to determine the level of loop-related support on a per line basis. The per line support for each of the support categories is then summed to determine the overall per line USF support disaggregated dollar amount.

7. Switch-related support is composed of Local Switching Support (LSS) (Section 54.301). LSS is allocated to the wire center according to an overall study area per line average basis. Since switching support is not related to the same density and distance characteristics as loop related support, LSS is not disaggregated, but rather remains on average.
6. Maps of each wire center within the study area are attached.



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